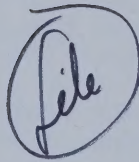


AR78



ENEX RESOURCES LIMITED

1979 ANNUAL REPORT

For the year ending
December 31, 1979

ENEX RESOURCES LIMITED

Incorporated under the laws of the Province of British Columbia

DIRECTORS

ROSS M. MacLEAN, Edmonton

A. DOUGLAS McGREGOR, Edmonton

G. ARNOLD ARMSTRONG, Vancouver

WALTER LACHMAN, Edmonton

RICHARD L. GRIFFITH, Honolulu

THOMAS S. CLARE, Calgary

WILLIAM W. KIZAN, Edmonton

OFFICERS

ROSS M. MacLEAN
President

A. DOUGLAS McGREGOR
Vice President

G. ARNOLD ARMSTRONG
Secretary

WALTER LACHMAN
Treasurer

PRINCIPAL OFFICE 506, 10024 Jasper Avenue
Edmonton, Alberta, T5J 1R9

REGISTERED OFFICE 1120, 1066 West Hastings Street
Vancouver, B.C., V6E 3X1

TRANSFER AGENT AND REGISTRAR Royal Trust Company
Toronto, Vancouver and Edmonton

AUDITORS Peat, Marwick, Mitchell & Co.
2500, 10020 - 100 Street
Edmonton, Alberta, T5J 0N4

CONSULTANTS Oil and Gas
Mr. R.J. Christensen
Owasso Petroleum Ltd.

Mining and Uranium
Trigg, Woollett Consulting Ltd.

To the Shareholders:

The annual report of the Company with the balance sheet, the auditors report and financial statements dated December 31, 1979 is presented at this time.

Dr. McCartney has been appointed to the Ontario Securities Commission and he has found it necessary to tender his resignation as a Director and Chairman of the Board of the Company, this resignation to take effect June 20, 1980, the date of the Annual General Meeting of Enex Resources Limited. Dr. McCartney will be sorely missed because of the tremendous contribution he has made to the Company in the field of uranium.

Mr. Thomas Clare of Calgary, with his knowledge and experience in oil and gas, has been appointed to the Board of Directors.

During the past fiscal year, two well balanced exploration teams have been assembled to carry out the energy objectives of the Company.

The Oil and Gas Committee consists of Thomas Clare, Arnold Armstrong and Ross MacLean. In addition, the Company has been most fortunate in obtaining the services of Mr. R.J. Christensen of Calgary as their Oil and Gas consultant. Mr. Christensen's expertise and experience in the petroleum industry is widely known.

The Uranium and Mining Committee consists of William Kizan, Walter Lachman and Ross MacLean. Trigg, Woollett Consulting Ltd. continue as Uranium and Mining consultants for the Company.

The Company's interest in oil and gas and uranium remains at a high level, and we intend to pursue an aggressive policy in exploration and acquisition in the energy field in the coming year.

Exploration work was performed on Claim Block CBS 5462 with very encouraging results. Because of these results, our consultant has recommended an extensive work program which is already in progress for the current year.

An exploration program was conducted on Mineral Leases ML 5203, ML 5204, ML 5132 and ML 5133 in the past year with favourable results.

Claim Block CBS 2747 and Mineral Claims CML to CM5 are in good standing, with further work proposed at a later date.

A marine seismic and radiometric surveys were performed on Mineral Claims 379 to 382 at Fidler Point area of Alberta.

A comprehensive report on the mining exploration programs for 1979 is enclosed.

The Company has increased its oil and gas holdings substantially in the past year.

Montana, U.S.A.

The largest acquisition is a 5% working interest in in excess of 380,000 acres of oil and gas leases covering over seven counties in Montana. Two producing oil wells and three gas wells have already been discovered on these leases. Universal Gas (Montana) Inc. is Operator of the project. The Operator is presently meeting with a major company respecting seismic surveys with a right to earn a participating interest in the properties.

Lashburn, Saskatchewan

The second acquisition is a 20% working interest in 960 acres of prospective oil leases in the Lashburn area of Saskatchewan. The agreement with Ancona Petroleum Ltd. also contains an option to purchase an additional 800 acres with the same working interest for the Company.

The Operator of the property is Ancona Petroleum Ltd. and it is the intention of Ancona to drill five wells in the spring of 1980. If the five wells are successful, the option to acquire the additional leases will be exercised and a second drilling program will be instituted to drill a further 15 to 20 wells in the summer and fall of 1980.

ALBERTA

Hughenden area

A successful gas well was completed under the direction of the Operator, Eagle Explorations Ltd., with a daily production rate of 500,000 cubic feet. Enx owns a 25.8177% working interest.

Chauvin Reflex area

In the fall of 1979, three oil wells were drilled by the Operator, Owasso Petroleum Ltd. Of the three wells drilled, two were successful and are being placed into production under the direction of Owasso, at a total daily rate of approximately 30 barrels each. The total production when four wells on this property are producing is estimated to be in excess of 150 barrels a day. The Company has a 40% working interest in these oil properties.

Chauvin South Gas Unit No. 1

The South Chauvin Gas Unit No. 1 is producing in excess of 1,500,000 cubic feet of natural gas per day. This production is under contract to Trans-Canada Pipelines.

Sylvan Lake area

This property was recently farmed out to Quintana Exploration Canada Ltd. of Calgary, Alberta, to drill a gas well. This well was unsuccessful, however, Quintana by drilling the well, earned its 50% interest in the land and will hold same throughout the term of the agreement.

Since the 1st of January, 1980, we report the following:

A successful underwriting was completed in February, 1980 to net the Company \$748,169.00.

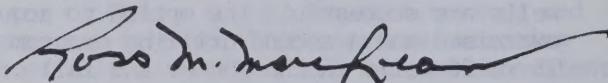
Trigg, Woollett Consulting Ltd. has completed the recommended line cutting, a Quaternary geological study, and the mineralogical study on Claim Block CBS 5462. These have been completed in readiness for the major summer and fall exploration program for this year.

The four oil wells at Chauvin Reflex have been reserviced and all are on production. A 2-well drilling program is planned for this fall as step-outs to the present wells.

The South Chauvin Gas Unit is being studied toward drilling a further well and/or reactivating one or two wells presently capped in the Unit.

Maps showing the Company's interest in oil and gas and uranium are enclosed.

On behalf of the Board,



Ross M. MacLean
President.

May 9, 1980.

SUMMARY OF 1979 PROGRAMS

MINERAL PROPERTIES

SASKATCHEWAN

Claim Block CBS 5462 - The Company owns a 66 2/3% participating interest in CBS 5462 covering 9504 acres in the LaRonge Mining District, Saskatchewan.

In September and October, 1979, exploration comprising surveying and grid lines, geochemical water sampling and prospecting was performed by Trigg, Woollett Consulting Ltd. in an area west of Spring Lake within Claim Block 5462. The summary of Trigg, Woollett Consulting Ltd. respecting this program dated November, 1979, states as follows:

"Twenty-two anomalously radioactive boulders of Athabasca Formation conglomerate or sandstone and four anomalously radioactive granitic boulders were discovered. Two of the boulders of Athabasca Formation sandstone produced radioactivity of 5,000 cps (SPP2N) and 450 cps, respectively; these radioactivity levels are highly anomalous in comparison to the normal background radioactivity of 50 cps typically produced by Athabasca Formation sandstone. The boulder producing 5,000 cps contains small amounts of yellow uranium oxides; a sample from the boulder assayed 0.048 per cent U308 and 0.002 per cent thorium. These two boulders are important because they, in conjunction with the four anomalously radoniferous springs which exist west of Spring Lake, indicate that uranium bearing sandstone may exist in subcrop within claim block CBS 5462.

Further exploration is required within claim block CBS 5462. Exploration should include systematic detail prospecting west and north of Spring Lake to determine if other anomalously radioactive sandstone boulders exist, extension of the existing grid to the north-northeast, geochemical water and sediment sampling of all springs, bogs, lakes and streams west and north of Spring Lake which have not been previously sampled, a topographic survey of the grid area west and north of Spring Lake, a study of the Quaternary geology within Claim Block CBS 5462 with particular emphasis placed on the area north and west of Spring Lake, and studies of selected specimens of core from diamond drill holes 79E-1 and 79E-2."

Mineral Leases ML 5203, ML 5204, ML 5132 and ML 5133 - The Company owns a 33 1/3% interest in four mineral leases located in the Athabasca Mining District of Saskatchewan.

During June, 1979, geological mapping, geological soil and stream sampling, radon sampling and radiometric prospecting were performed on these mineral leases by Trigg, Woollett Consulting Ltd.

The report of Trigg, Woollett Consulting Ltd. recommended that existing drill core be logged and detailed drill sections be prepared, that geological investigations of the Martin Formation south of Mineral Lease 5133 be conducted and if the drill sections and geological investigations indicate that economic uranium concentrations could exist beneath the area of Martin Formation rocks on Mineral Lease 5133, then electromagnetic geophysical surveys should be performed in that area.

ALBERTA

Mineral Claims 379-382 inclusive - The Company owns a 50% interest in four mineral claims known as 379 to 382 situated in the Fidler Point area of Alberta.

Marine seismic and radiometric surveys were conducted on water covered portions of these properties in June and July, 1979, by Goldak Exploration Technology Ltd. The conclusion and recommendation of Goldak of the said survey were as follows:

"Conclusions and Recommendations"

The most significant result of the survey is the inference of the band of Athabasca sandstone along the western edge of the properties. This band correlates with an outcrop of sandstone on shore to the northwest; this outcrop was made known to us by Dr. C.M. Trigg. A number of probable fault structures are revealed in the air photos of Fidler Point trending approximately east, northeast, north and northwest. If the existence of graphitic rocks could be demonstrated by means of electromagnetic survey, the uranium potential of the property would be greatly enhanced. Some of the topographic lows at Fidler Point may be due to easily eroded chloritic rocks which, if present, would further enhance the uranium potential.

Therefore, we would recommend that an INPUT survey be flown if it can be done at reasonable cost given the small size of the property. Alternatively, a Crone DEEPEM survey conducted on the ice would serve to delineate any basement conductors under or near the sandstone. These would represent excellent drill targets".

ALBERTA

NORTHWEST TERRITORIES

SASKATCHEWAN

Athabasca Formation Basin

Athabasca

Lake

★ Cluff Lake

CLAIMS
379-382
Enex 50%

ML
5132, 5133
5203, 5204
Enex 33 1/3 %

CBS 2747
Enex 100%

CM 1-5
Enex 62 1/2 %

CBS 5462
Enex 66 2/3 %

★ Key Lake

★ McLean Lake
★ Collins Lake
★ Boy
★ Rabbit Lake
★ Midwest Lake

Key

- Enex Uranium Property
- ★ Major Uranium Orebody
- ☆ Depleted Major Uranium Orebody

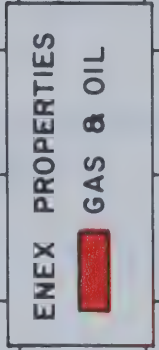


ENEX RESOURCES LIMITED

ENEX RESOURCES LTD. CHAUVIN, ALBERTA



R.I.W.5M.

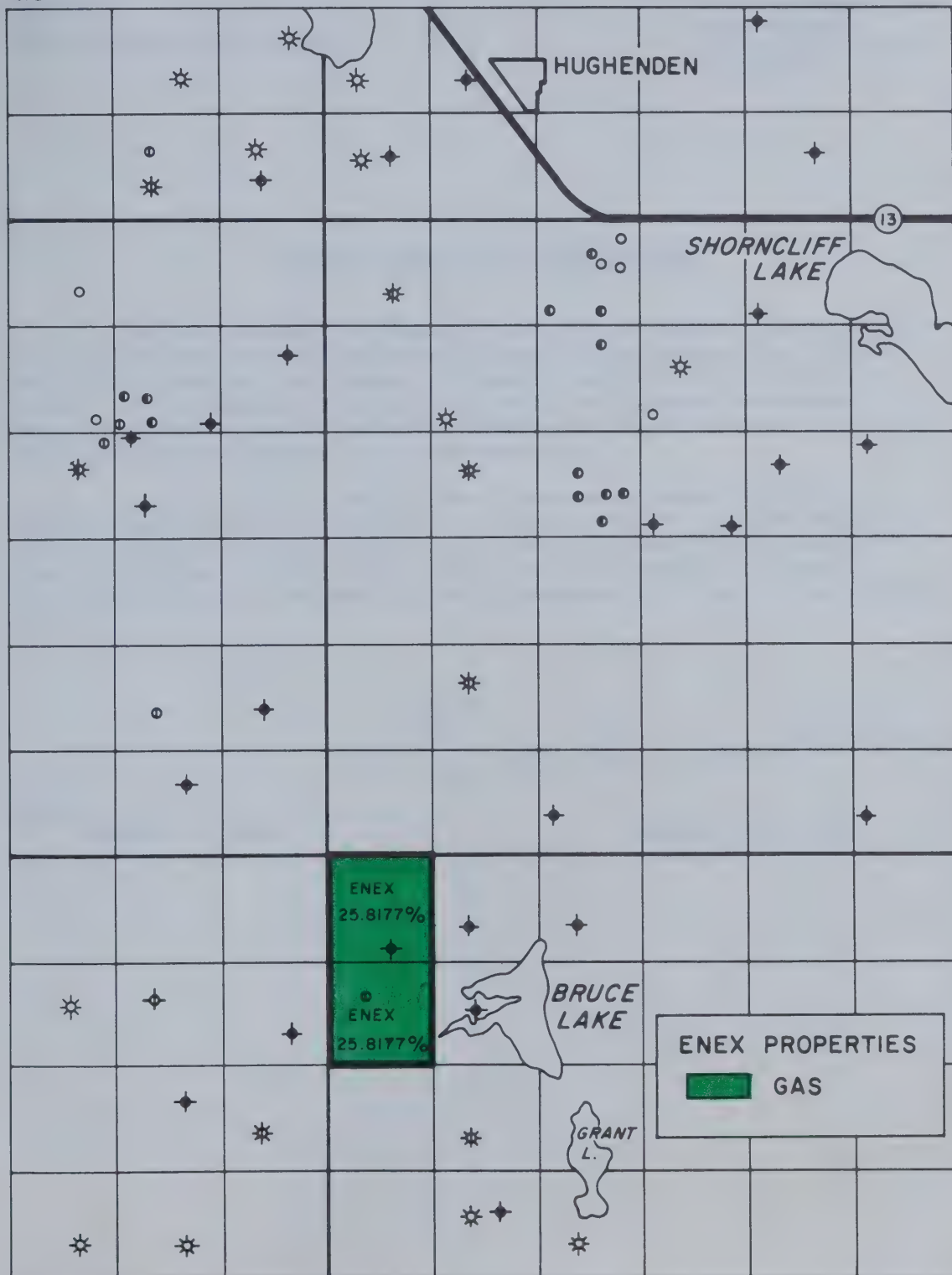


ENEX RESOURCES LTD. HUGHENDEN, ALBERTA

R.8

R.7W.4M.

TP.41



TP.40

TP.39



Peat, Marwick, Mitchell & Co.

Chartered Accountants

2500 Alberta Telephone Tower
10020-100th Street
Edmonton, Alberta T5J 0N4
(403) 429-5831

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Enex Resources Limited as of December 31, 1979 and the statements of petroleum and natural gas operations and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as of December 31, 1979 and the results of its petroleum and natural gas operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Edmonton, Canada
February 26, 1980

Chartered Accountants

Balance Sheet
December 31, 1979
with comparative figures for 1978

See accompanying statement of significant accounting policies and notes to financial statements.

ENEX RESOURCES LIMITED

Statement of Petroleum and Natural Gas
Operations and Retained Earnings

Year ended December 31, 1979
with comparative figures for 1978

	<u>1979</u>	<u>1978</u>
Revenue:		
Petroleum and natural gas sales	\$ 89,086	35,883
Royalties	<u>1,679</u>	<u>2,831</u>
	90,765	38,714
Deduct:		
Operating expense	63,739	42,991
Depletion	<u>23,177</u>	<u>39,931</u>
	86,916	82,922
Net income (loss) from petroleum and natural gas operations	<u>3,849</u>	<u>(44,208)</u>
Add:		
Management fee	-	1,194
Gain on sale of investments in affiliated companies	-	265,083
Gain on sale of marketable securities	<u>90,307</u>	<u>213,387</u>
	90,307	479,664
Deduct:		
Loss on sale of mining claims	-	9,000
Write-off of investments	876	-
Write-off mining claims surrendered	27,256	-
Write-off of deferred exploration expenditures	32,507	36,585
Write-off of deferred administrative expenditures	67,506	88,504
Expenses of issue of capital stock	<u>-</u>	<u>13,063</u>
	128,145	147,152
Net increase (decrease) in retained earnings for year	(33,989)	288,304
Retained earnings (deficit), beginning of year	<u>210,685</u>	<u>(77,619)</u>
Retained earnings, end of year	\$ <u><u>176,696</u></u>	<u><u>210,685</u></u>

See accompanying statement of significant accounting policies and notes to financial statements.

ENEX RESOURCES LIMITED

Statement of Changes in Financial Position

Year ended December 31, 1979
with comparative figures for 1978

	<u>1979</u>	<u>1978</u>
Funds provided:		
Net income from petroleum and natural gas operations	\$ 3,849	-
Depletion	23,177	-
Funds provided from petroleum and natural gas operations	<u>27,026</u>	<u>-</u>
Proceeds from sale of Gardex Mines Limited (N.P.L.)	-	342,125
Proceeds of sale and transfer of other investments	-	6,796
Proceeds from issue of capital stock	53,500	116,377
Proceeds from sale of mining claim	-	10,000
Gain on sale of marketable securities	90,307	213,387
Management fee	-	1,194
Total funds provided	<u>170,833</u>	<u>689,879</u>
Funds used:		
Net loss from petroleum and natural gas operations	-	44,208
Deduct depletion	<u>-</u>	<u>39,931</u>
Funds used in petroleum and natural gas operations	-	4,277
Investment in petroleum and natural gas properties	374,120	22,709
Advances to an affiliated company	-	23,019
Deferred exploration expenditures	237,775	53,348
Deferred administrative expense	65,445	64,172
Loss on investments	876	-
Total funds used	<u>678,216</u>	<u>167,525</u>
Increase (decrease) in working capital	(507,383)	522,354
Working capital (deficiency) beginning of year	<u>473,269</u>	<u>(49,085)</u>
Working capital (deficiency) end of year	\$ <u>(34,114)</u>	<u>473,269</u>

See accompanying statement of significant accounting policies and notes to financial statements.

ENEX RESOURCES LIMITED

Statement of Significant Accounting Policies

December 31, 1979

Deferred expenditures

As a significant portion of the company's activities relate to those of a non-producing mining company in the exploration stage, all of its exploration and administrative expenditures have been deferred.

Mining claims

The initial cost of the mining claims is capitalized, any exploration work on the claims is charged to deferred exploration expenditures. When all of the claims in a particular area are abandoned, the cost of the claims in that area together with the deferred exploration expenditures incurred on those claims and a portion of deferred administration are written off. When a property is brought into production, it is the company's intention to amortize the cost of claims and the deferred exploration and administration expense relating to the claims, on the unit of production method using the estimated recoverable mineral reserves.

Petroleum and natural gas properties

The company follows the practice of capitalizing all costs of acquiring, carrying, exploring for and developing petroleum and natural gas properties. When a property becomes producing, the costs are depleted on the unit of production method using the estimated recoverable oil and gas reserves for each property. When a property is abandoned or surrendered, the cost of the property will be written off.

Depreciation

The company has never provided depreciation on its furniture and fixtures as the directors consider that the assets have retained their value and at December 31, 1979 would have a value approximating cost.

Joint Venture

The company is a participant in three joint ventures. The proportionate line-by-line consolidation method has been used to account for the company's investment in these joint ventures.

ENEX RESOURCES LIMITED

Notes to Financial Statements

December 31, 1979

1. Investment in non-producing petroleum and natural gas properties:

Costs under an agreement with Canadian Tricentrol Oils Ltd. to pay 10-20% of all costs and expenses incurred in the drilling and completion or abandonment of a test well	\$ 39,929
An interest in four Crown leases in Central Alberta including costs of drilling a dry well	12,440
Costs under an agreement with Universal (Gas) Montana Inc. to pay 5% of all costs and expenses of an exploration programme in the United States	143,248
20% working interest with Ancana Petroleum Ltd. in 960 acres of prospective oil leases in the Lashburn area of Saskatchewan	<u>2,147</u>
	<u>\$ 197,764</u>

2. Mining claims:

Saskatchewan:

CM 1-5

In the Athabasca mining district the company acquired 5 mining claims. Under a subsequent agreement 50% of these claims were given up in return for a 25% interest in 3 mining leases in the same area.

\$ 5,500

CBS 2747

Under an option agreement the company acquired a 1,325 acre claim block.

9,880

CBS 5462

The company has a two-thirds participating interest in this claim block of 9,504 acres in the LaRonge area.

-

Athabasca Mining District

Interest in mineral leases 5132 and 5133

13,333

Interest in mineral leases 5203 and 5204

2,840

Alberta:

Athabasca:

The company has a one-half interest in 4 claims.

1,192

\$ 32,745

ENEX RESOURCES LIMITED

Notes to Financial Statements, continued

December 31, 1979

3. Capital stock:

The authorized capital of the company is 5,000,000 shares of no par value.

During the year the company issued 107,000 shares of capital stock to directors, in accordance with stock options held by them for \$53,500.

At December 31, 1979 the issued share capital consisted of the following:

	<u>Shares</u>	<u>Capital</u>
Issued for:		
Mining claims, petroleum and natural gas properties	957,334	\$ 146,927
Cash	<u>1,738,472</u>	<u>1,135,442</u>
	<u>2,695,806</u>	\$ <u>1,282,369</u>

4. Subsequent event:

Subsequent to December 31, 1979 the company sold 600,000 of its common shares and issued warrants for the sale of an additional 250,000 common shares.

The net proceeds received from the sale of the 600,000 shares was \$748,169.

The warrants for the sale of the 250,000 shares may be exercised at any time up to August 13, 1980, at a price of \$1.38 per share.

ENEX RESOURCES LIMITED

Schedule 1

Deferred Exploration Expenditures

Year ended December 31, 1979

	Balance December 31, 1978	Additions	Disposals	Balance December 31, 1979
CM 1-5:				
Drilling costs	\$ 23,798			23,798
Engineering and consulting fees	7,610			7,610
Equipment and supplies	94			94
Travel and transportation	415			415
Board and lodging	231			231
Sundry	210			210
	<u>32,358</u>			<u>32,358</u>
CBS 2747:				
Drilling costs	7,339			7,339
Engineering and consulting fees	17,642			17,642
Equipment and supplies	992			992
Travel and transportation	6,718			6,718
Licenses, fees and taxes	172			172
Board and lodging	237			237
Sundry	558			558
	<u>33,658</u>			<u>33,658</u>
CBS 5462:				
Engineering, consulting and supervision fees	20,037	55,255		75,292
Assaying	563	669		1,232
Equipment and supplies	3,132	20,457		23,589
Travel and transportation	9,343	3,718		13,061
Camp Expenses	2,098	-		2,098
Drilling costs		65,211		65,211
Freight		1,983		1,983
Helicopter and service flights		44,530		44,530
Licences, fees and taxes		95		95
Line cutting		9,181		9,181
Office supplies and expenses		1,777		1,777
Sundry	173	10		183
Costs recovered	(3,575)			(3,575)
	<u>31,771</u>	<u>202,886</u>		<u>234,657</u>

ENEX RESOURCES LIMITED

Schedule 2

Schedule of Deferred Administration Expenditure

Year ended December 31, 1979
with comparative figures for 1978

	1979	1978
Head office services	\$ 32,700	21,000
Legal and audit	15,006	10,905
Annual meeting and shareholders' information	8,205	5,036
Office rental	6,780	5,700
Licenses, fees and taxes	244	609
Joint venture administrative expenses	3,450	3,626
Office supplies and expenses	3,915	1,962
Telephone	2,495	1,734
Travel	6,788	5,410
Transfer agent fees	4,161	2,342
Stock exchange fees	1,160	-
Public relations	467	625
Directors' meetings expenses	582	-
Sundry	184	93
	<u>86,137</u>	<u>59,042</u>
Interest and bank charges	5,574	5,106
	<u>91,711</u>	<u>64,148</u>
Deduct:		
Interest earned	26,266	3,576
	<u>65,445</u>	<u>60,572</u>
Directors' fees	-	3,600
	<u>65,445</u>	<u>64,172</u>
Balance at beginning of year	300,061	324,393
	<u>365,506</u>	<u>388,565</u>
Deduct:		
Portion applicable to mining properties written off	67,506	88,504
	<u>67,506</u>	<u>88,504</u>
Balance at end of year	\$ <u>298,000</u>	<u>300,061</u>

